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Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

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Division of Oil Gas and Mining

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JK

August 21, 2007

Wess Sorensen, General Manager
Canyon Fuel Company, LLC.
HC 35 Box 380
Helper, Utah 84526

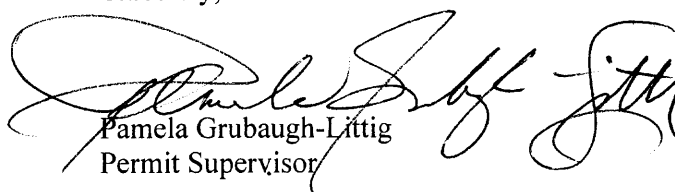
Subject: Minor Coal Exploration, Canyon Fuel Company, LLC., Skyline Mine, C/007/005, Task ID #2835, Outgoing File

Dear Mr. Sorensen:

The above-referenced Letter of Intent is approved effective August 20, 2007. A stamped incorporated copy is enclosed for your copy of the Mining and Reclamation Plan.

If you have any questions, please feel free to call me at (801) 538-5268 or Stephen J. Demczak at (435) 613-1146 ex 202.

Sincerely,



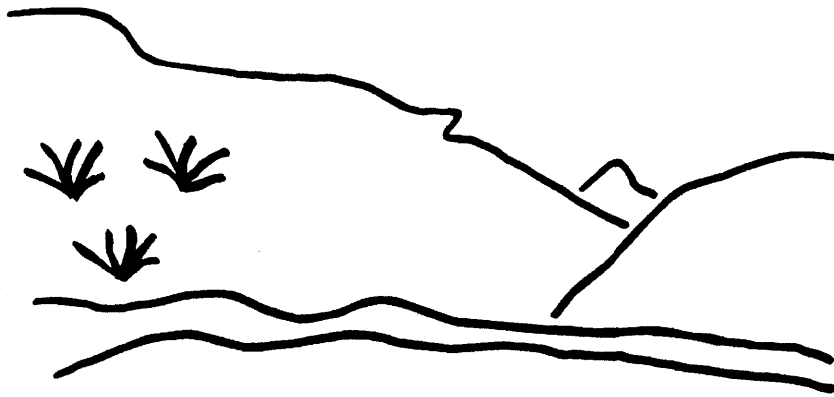
Pamela Grubaugh-Littig
Permit Supervisor

SJD/sb
Enclosure
cc:

Price Field Office
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State of Utah



Utah Oil Gas and Mining

Coal Regulatory Program

Skyline Mine
Ark Land Company
ACT 007/005
Task ID #2835
Minor Exploration Analysis and Findings
August 21, 2007

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INTRODUCTION

EXPLORATION TECHNICAL ANALYSIS

INTRODUCTION

Ark Land Company (a subsidiary of Arch Coal Inc.) has submitted a Notice of Intent to Conduct Minor Coal Exploration on behalf of Skyline Mine. One drill will be use on Fee land (Allred Family Trust) and Fee coal lease. The coal lease belongs to Canyon Fuel Company. A helicopter will be use and the staging area will be on US Forest Service land. The drilling is scheduled for August 27, 2007. The reclamation will take place once the exploration is finished approximately two weeks from August 27,2007.

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INTRODUCTION

COAL EXPLORATION

COAL EXPLORATION

Regulatory Reference: R645-200.

SCOPE AND RESPONSIBILITIES

Regulatory Reference: 30 CFR 772.1; 30 CFR 772.10; 30 CFR 772.11; R645-100-400; R645-200-100; R645-200-200; R645-201-100.

Analysis:

Ark Land Company (a subsidiary of Arch Coal Inc.) has submitted a Notice of Intent to Conduct Minor Coal Exploration on behalf of Skyline Mine. The permittee will remove approximately 25 lb of coal from the one drill hole C-07. This drill hole will be located on Fee coal and Fee Land. The staging area for the helicopter will be on US Forest Service ground. This exploration action is under the jurisdiction of the Division of Oil, Gas and Mining.

Findings:

The applicant has submitted the necessary information to meet the minimum requirements of this section.

REQUIREMENTS FOR NOTICE OF INTENTION TO CONDUCT MINOR COAL EXPLORATION

Regulatory Reference: 30 CFR 772.10; 30 CFR 772.11; R645-100-412; R645-201-200.

Analysis:

The applicant has submitted the appropriate information such as name, address, phone number and contact person.

The applicant has submitted the location of the one drill hole and the Right of Entry (access agreement) information from the landowner.

A timeline was given with the start-up of August 27, 2007 and the site will be reclaimed two weeks afterwards.

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COAL EXPLORATION

Findings:

The applicant has met the minimum requirements of this section.

HISTORIC AND ARCHEOLOGICAL RESOURCE INFORMATION

HISTORIC AND ARCHEOLOGICAL RESOURCE INFORMATION

Regulatory Reference: 30 CFR 783.12; R645-301-411.

Analysis:

The application includes a site-specific cultural resource evaluation for the drill hole # C-07, (Earth Touch Cultural Resource report No. 07-15 attachment, Appendix B). A class three pedestrian survey was completed in July of 2007. The project area covered a 100' by 100' area.

According to the survey there were no known districts, sites, buildings, structures, or objects listed on or eligible for listing on the National Register of Historic Places within 1/2 mile of the proposed drill site location. The survey results also provided a finding of "no historic properties affected". A copy of the survey was forwarded to the State Historic Preservation Office. The Division received their concurrence from the SHPO by way of "E" mail correspondence on 08/14/2007.

Findings:

The information provided is adequate to meet the requirements of this section of the regulations.

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HISTORIC AND ARCHEOLOGICAL RESOURCE INFORMATION

COMPLIANCE DUTIES

COMPLIANCE DUTIES

Regulatory Reference: 30 CFR 772.13; R645-202.

OPERATIONAL STANDARDS

Regulatory Reference: 30 CFR 772.13; R645-202-100.

Analysis:

Biology

Page 3 of the application refers to the vegetation in the exploration area as mountain brush and white fir spruce vegetative communities. Although that description may have been accurate for some of the previous exploration sites the site visit on August 7, 2007 with Mark Bunnel and Gregg Galecki representatives from the Skyline Mine indicated that exploration site C-07 was located on a south facing slope, with the dominant vegetative community being sage brush/snowberry with interspersed pockets of aspen and choke cherry. The last sentence on page 3 should be revised to accurately describe the vegetative community where the proposed exploration site is located. It is unlikely that the area is habitat for a number of reptiles as stated on page 4 sentence #3. The application should be corrected to reflect these suggested changes.

The application also includes the following wildlife information in Appendix A:

- A 2005 Forest Service Biological Evaluation Biological Assessment report, (BEBA). The report provides a detailed explanation regarding the presence or absence of Threatened and Endangered and Sensitive species, (plant, fish and animal), that may be located within the proposed drill site location,
- A 2005 Forest Service Wildlife Resources report. The report provides detailed analyses on TES, MIS, and Priority Migratory Bird Species potentially affected by the exploratory drilling and,
- A 2007 Northern Goshawk / Elk survey. The survey is primarily a Goshawk survey with some observations on the presence of elk and mule deer. There were no nests located within ½ mile of the proposed drill site location.

According to the BEBA the Bald Eagle would not occupy the area during winter periods of migration. Eagles do not typically nest in Utah, although there are eight known nesting pairs in the state, one of which is located approximately 20 miles from the exploration site location. The exploration activities would not affect the birds. There are no threatened or endangered or sensitive plant species located in the proposed drill hole location. Sensitive wildlife species

COMPLIANCE DUTIES

include the Spotted Bat, Townsend's Big Eared Bat, the Northern Goshawk, Flamulated Owl and Three Toed Woodpecker. There is suitable habitat for the Goshawk, and Three toed Woodpecker, and marginal habitat for the Flamulated Owl in the mixed conifer forests on the north facing slopes of Winter Quarters and Woods canyons. Since the exploration site is located on a South-facing slope these species' habitats would not be affected by the drilling activities. Managemnt Indicator Species are addressed in the Wildlife Resources Report, they include Elk, MuleDeer, the Northern Goshawk , Golden Eagle and Macroinvertebrates. According to the report they would not be affected by the helicopter-drilling project.

The drilling activities are scheduled for the 22nd of August, which is beyond any wildlife exclusionary periods.

Topsoil

Minor excavation will be used to level the drill rig all by handwork. This topsoil will be stored on site. The topsoil will be used for reclamation. The reclamation will be to the original contours of the ground. The topsoil areas will be seeded

Roads

This project will not involve any new road construction.

Diversions of Overland flows and streams

The application meets the hydrology Operational Standards for diversions of overland flows and streams as provided in R645-202-234. No permanent diversions of streams or other flows will be necessary for the duration of this project. CFC will prevent surface runoff from entering the drill-pad by elevating the edges of the pit liner. The drill pad will alter overland flow patterns only minimally.

Hydrologic Balance

The application meets the hydrology Operational Standards for hydrologic balance as provided in R645-202-235. No surface water is located in the immediate vicinity of the proposed borehole location. CFC will place a brattice or pit liner underneath all equipment, and covering the entire drill pad. The liner will prevent any leaking fluids from infiltrating into the ground at the site. CFC will store all produced water and cuttings in tanks. When the tanks fill, and at the end of drilling, CFC will haul them off-site and dispose of all cuttings and produced water properly at an approved wastewater disposal site. No water will leave the site uncontained.

CFC will transport water for the drilling process by truck from the Skyline Mine facilities

COMPLIANCE DUTIES

to an 18,000-gallon tank in Winter Quarters Canyon. They will then pump the water from the tank to the drill site. CFC will place the pumps on brattice or pit liner to prevent spillage and/or infiltration. The Utah Division of Water Rights (DWRi) has approved a temporary change for the use of the water coming from the Skyline facilities (App. E). CFC plans to use a total of 0.6 acre-feet of water for this project.

Acid- or toxic forming materials

The application meets the hydrology Operational Standards for acid- and/or toxic-forming materials as provided in R645-202-236. As described above, no water will leave the site uncontained. Additionally, CFC will test samples of drill core from the 10-ft. interval above and below each seam of minable thickness for acid- or toxic-forming materials.

Findings:

The applicant has met the minimum requirements of this section.

RECLAMATION STANDARDS

Regulatory Reference: 30 CFR 772.13; R645-202-200.

Analysis:

Approximate original contour

The applicant will reclaim the drill pad to approximate original contours.

Revegetation

The application includes a seed mix to be used in reclamation of the drill sites as outlined on page 10 of the application. The seed mix was approved by the division for the Granger Ridge project and is applicable to the location for the current drill site # C-07.

Boreholes

The borehole will be reclaimed using cement/bentonite slurry. The full depth of the hole will be reclaimed using this mixture. A brass tag will be placed on top of the hole stating the applicant name, drill hole number and legal description.

Facilities and Equipment

COMPLIANCE DUTIES

All drilling equipment will be removed once it is no longer needed. There will be no facilities at this drill site.

Findings:

The applicant has met the minimum requirements of this section.

PUBLIC AVAILABILITY OF INFORMATION

PUBLIC AVAILABILITY OF INFORMATION

Regulatory Reference: 30 CFR 772.15; R645-203.

Analysis:

The applicant has requested this information to remain confidential to the public.

Findings:

The applicant has met the minimum requirements of this section.